

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011 AND 2010

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

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CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

OFFICIALS

JUNE 30, 2011

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Ken Slater	Chairperson	Cherokee
Roger Smith	Vice-Chairperson	Meriden
Jeff Bowen	Board Member	Aurelia
Mark Leeds	Board Member	Cherokee County
Les Pedersen	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Larry Nelson	Board Member	Quimby
Don Parrott	Board Member	Washta
Don Pitts	Manager	
Julie Mugge	Assistant Manager	
John Loughlin, Jr.	Attorney	

BURKHARDT & DAWSON

Certified Public Accountants

DONNA R. BURKHARDT, CPA
LAURA M. DAWSON, CPA

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INDEPENDENT AUDITORS' REPORT

To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission at June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2011 on our consideration of the Cherokee County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

December 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues increased 13% or \$251,570, from fiscal 2010 to fiscal 2011. Recycling, city fees, county fees and individual revenues increased.
- * The Commission's operating expenses were 3%, or \$79,571, more in fiscal 2011 than in fiscal 2010.
- * The Commission's net assets decreased 6%, or \$156,195, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The Cherokee County Solid Waste Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Cherokee County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2011 totaled approximately \$2,193,000. This compares to approximately \$2,349,000 at the end of fiscal 2010. A summary of the Commission's net assets is presented below.

	<u>2011</u>	<u>2010</u>
Current Assets	\$ 559,195	\$ 541,914
Restricted Investments	404,341	400,122
Capital Assets at Cost, Less Accumulated Depreciation	5,705,326	5,652,398
Other Assets	<u>55,684</u>	<u>59,046</u>
TOTAL ASSETS	<u>\$6,724,546</u>	<u>\$6,653,480</u>
Current Liabilities	\$1,019,861	\$ 603,639
Long Term Debt	2,407,547	2,541,951
Other Liabilities	<u>1,103,793</u>	<u>1,158,350</u>
TOTAL LIABILITIES	<u>\$4,531,201</u>	<u>\$4,303,940</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$2,614,000	\$2,672,850
Restricted	456,508	485,908
Unrestricted	<u>(877,163)</u>	<u>(809,218)</u>
TOTAL NET ASSETS	<u>\$2,193,345</u>	<u>\$2,349,540</u>

The unrestricted portion of the Commission's net assets is a deficit balance at June 30, 2011. The amount invested in capital assets (e.g. land, buildings and equipment), less the related debt portion of net assets (119%) are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure care, restricted tonnage fees, and Board designated funds. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, rental income, rental expenses and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2011 and 2010 is presented below:

CHANGES IN NET ASSETS

	YEAR ENDED JUNE 30,	
	2011	2010
OPERATING REVENUES:		
Counties Fees	\$ 913,011	\$ 828,765
Cities Fees	323,632	307,814
Sanitary Services Fees	154,113	136,920
Commercial	153,141	110,169
Wells Blue Bunny	84,463	84,044
Tyson Foods	79,132	74,508
Hy-Vee	2,378	4,773
Individuals	22,813	14,023
Specialty	29,252	2,844
Appliance Disposal	4,338	4,724
Miscellaneous	3,927	12,419
Sales:		
Cardboard	111,161	111,749
Plastics	51,601	33,456
Metals and Aluminum	42,425	45,621
Paper	59,718	46,434
Pellet Fuel	26,327	20,335
Recovery of Closure and Postclosure Costs	18,482	0
TOTAL OPERATING REVENUES	<u>\$2,079,914</u>	<u>\$1,838,598</u>
OPERATING EXPENSES:		
Salaries	\$ 719,014	\$ 658,183
Payroll Tax Expense	107,719	89,366
Directors and Management Fees	9,521	2,769
Newspaper Purchased	10,900	10,469
Shop Supplies and Expenses	33,065	26,768
Insurance	117,408	133,492
Medical Insurance	135,563	125,515
Vehicles Expense	24,819	27,467
Freight	6,093	7,408
Appliance Disposal Fees	6,860	7,990
Repairs - Building	750	7,840
Repairs - Equipment	75,873	29,948
Rock Expense	15,537	7,535
Landfill Fuel Expense	103,641	65,389
Landfill Expenses	34,168	43,257
Recycling Expense	24,605	20,492
PCB Clinic Expenses	12,100	16,230
Depreciation	326,003	318,921
Amortization	3,362	3,361
Utilities	82,559	88,637
Engineering and Testing	31,617	26,972
Lawsuit Expense	59,470	0
Iowa Department of Natural Resources		
Tonnage Fees	66,598	65,539
Equipment Rent	1,600	6,299
Leachate	36,819	17,487
Office Supplies and Postage	5,203	4,613
Dues and Subscriptions	82	383
Professional Services	29,513	24,054
Medical Reimbursements	13,244	8,138
License, Fees and Permits	1,565	1,735
Closure and Postclosure Care Costs	0	155,555
Miscellaneous Expense	3,610	1,251
TOTAL OPERATING EXPENSES	<u>\$2,098,881</u>	<u>\$2,003,063</u>
OPERATING (LOSS)	<u>\$ (18,967)</u>	<u>\$ (164,465)</u>

	YEAR ENDED JUNE 30,	
	2011	2010
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 5,940	\$ 10,541
Land and Rental House Income	5,969	5,625
Insurance Proceeds	18,638	4,127
Rental House Repairs	(458)	0
Rental House Insurance	(752)	(715)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,360)	(1,410)
Interest Expense	(164,137)	(180,829)
NET NON-OPERATING REVENUES (EXPENSES)	\$ (137,228)	\$ (163,729)
CHANGE IN NET ASSETS	\$ (156,195)	\$ (328,194)
NET ASSETS - BEGINNING OF YEAR	<u>2,349,540</u>	<u>2,677,734</u>
NET ASSETS - END OF YEAR	<u>\$2,193,345</u>	<u>\$2,349,540</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the fiscal year.

In fiscal 2011, operating revenues increased by \$241,316, or 13.1%. Operating expenses increased by \$95,818, or 4.7%. The increase in operating expenses was primarily a result of operating costs and depreciation, and interest associated with the pellet facility.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financial activities includes principal repayments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2011, the Commission had approximately \$5,705,000 invested in capital assets, net of accumulated depreciation of approximately \$3,055,000. Depreciation charges totaled \$327,071 for fiscal 2011. More detailed information about the Commission's capital assets is presented in Note 13 to the financial statements.

LONG TERM DEBT AND OTHER LIABILITIES

At June 30, 2011, the Commission had \$4,114,040 in long-term debt and other liabilities outstanding, an increase of \$126,619 from 2010. The table below summarizes outstanding debt and other liabilities by type.

	2011	2010
Note Payable - Cherokee State Bank	\$ 468,297	\$ 0
Note Payable - DNR	\$ 196,950	\$ 239,071
Note Payable - Cherokee County	\$2,345,000	\$2,590,000
Landfill Closure and Postclosure Care Cost	\$1,103,793	\$1,158,350

Additional information about the Commission's long-term debt and other liabilities is presented in Notes 3 and 12 to the financial statements.

ECONOMIC FACTORS

Cherokee County Solid Waste Commission did not improve its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- * Facilities at the Commission require constant maintenance and upkeep.
- * The operating costs of the new pellet fuel recycling facility that has produced limited revenue.
- * The limited amount of unrestricted cash reserves combined with operating losses will continue to make repayment of long-term debt challenging.
- * Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- * Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues. The Commission is also continuing to monitor the costs for the landfill expansion and operating costs of the pellet fuel recycling facility.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa 51012.

Basic Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

	ASSETS	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash in Bank	\$ 67,589	\$ 18,347
Cash in Bank - Board Designated - Equipment	10,051	18,518
Cash in Bank - DNR Tonnage Fees	42,116	67,268
Certificates of Deposit	156,077	154,622
Accounts Receivable - Governmental	47,851	37,999
Accounts Receivable - Others	207,160	215,318
Accrued Interest Receivable	166	154
Prepaid Insurance	14,467	16,726
Prepaid Topcoat Expense	10,310	10,310
Cafeteria Plan	3,408	2,652
TOTAL CURRENT ASSETS	<u>\$ 559,195</u>	<u>\$ 541,914</u>
RESTRICTED INVESTMENTS:		
Certificates of Deposit - Restricted - Closure and Postclosure Costs	\$ 403,945	\$ 399,807
Accrued Interest Receivable - Restricted	396	315
TOTAL RESTRICTED INVESTMENTS	<u>\$ 404,341</u>	<u>\$ 400,122</u>
CAPITAL ASSETS:		
Construction in Progress	\$ 334,812	\$ 0
Land	424,000	424,000
Buildings	2,192,911	2,191,207
Machinery and Equipment	4,196,212	4,167,358
Office Equipment and Furniture	16,430	15,132
Land Improvements	214,961	214,961
East Landfill	1,380,968	1,380,968
	<u>\$8,760,294</u>	<u>\$8,393,626</u>
LESS - Accumulated Depreciation	3,054,968	2,741,228
NET CAPITAL ASSETS	<u>\$5,705,326</u>	<u>\$5,652,398</u>
OTHER ASSETS:		
Investment - PCB Agency	\$ 18,421	\$ 18,421
Loan Fees	50,430	50,430
LESS - Accumulated Amortization	13,167	9,805
TOTAL OTHER ASSETS	<u>\$ 55,684</u>	<u>\$ 59,046</u>
TOTAL ASSETS	<u>\$6,724,546</u>	<u>\$6,653,480</u>

LIABILITIES AND NET ASSETS		
	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 266,189	\$ 104,865
Payroll Taxes and Garnishments Payable	9,168	3,938
Sales Tax Payable	602	630
Accrued Salaries and Vacations Payable	46,930	44,225
Accrued Interest Payable	13,193	12,384
Note Payable - Bank	59,076	150,477
Note Payable - GE Capital	22,003	0
Current Maturities of Long Term Debt	<u>602,700</u>	<u>287,120</u>
TOTAL CURRENT LIABILITIES	<u>\$1,019,861</u>	<u>\$ 603,639</u>
LONG TERM DEBT:		
Notes Payable - Bank	\$ 468,297	\$ 0
Notes Payable - DNR	196,950	239,071
Note Payable - Cherokee County	2,345,000	2,590,000
LESS - Current Maturities	<u>602,700</u>	<u>287,120</u>
TOTAL LONG TERM DEBT	<u>\$2,407,547</u>	<u>\$2,541,951</u>
OTHER LIABILITIES:		
Landfill Closure and Postclosure Care	<u>\$1,103,793</u>	<u>\$1,158,350</u>
TOTAL NONCURRENT LIABILITIES	<u>\$3,511,340</u>	<u>\$3,700,301</u>
TOTAL LIABILITIES	<u>\$4,531,201</u>	<u>\$4,303,940</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$2,614,000	\$2,672,850
Restricted For:		
Tonnage Fees Retained	42,116	67,268
Closure and Postclosure Care	404,341	400,122
Board Designated	10,051	18,518
Unrestricted (Deficit)	<u>(877,163)</u>	<u>(809,218)</u>
TOTAL NET ASSETS	<u>\$2,193,345</u>	<u>\$2,349,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,724,546</u>	<u>\$6,653,480</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Counties Fees	\$ 913,011	\$ 828,765
Cities Fees	323,632	307,819
Sanitary Services Fees	154,113	136,920
Commercial	153,141	110,169
Wells Blue Bunny	84,463	84,044
Tyson Foods	79,132	74,508
Hy-Vee	2,378	4,773
Individuals	22,813	14,023
Specialty	29,252	2,844
Appliance Disposal	4,338	4,724
Miscellaneous	3,927	12,414
Sales:		
Cardboard	111,161	111,749
Plastics	51,601	33,456
Metals and Aluminum	42,425	45,621
Paper	59,718	46,434
Pellet Fuel	26,327	20,335
Recovery of Closure and Postclosure Care Costs	<u>18,482</u>	<u>0</u>
 TOTAL OPERATING REVENUES	 <u>\$2,079,914</u>	 <u>\$1,838,598</u>
OPERATING EXPENSES:		
Salaries	\$ 719,014	\$ 658,183
Payroll Tax Expenses	107,719	89,366
Directors and Management Fees	9,521	2,769
Newspaper Purchased	10,900	10,469
Shop Supplies and Expenses	33,065	26,768
Insurance	117,408	133,492
Medical Insurance	135,563	125,515
Vehicles Expense	24,819	27,467
Freight	6,093	7,408
Appliance Disposal Fees	6,860	7,990
Repairs - Building	750	7,840
Repairs - Equipment	75,873	29,948
Rock Expense	15,537	7,535
Landfill Fuel Expense	103,641	65,389
Landfill Expenses	34,168	43,257
Recycling Expense	24,605	20,492
PCB Clinic Expenses	12,100	16,230
Depreciation	326,003	318,921
Amortization	3,362	3,361
Utilities	82,559	88,637
Engineering and Testing	31,617	26,972
Lawsuit Expense	59,470	0

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES - CONTINUED:		
Iowa Department of Natural Resources		
Tonnage Fees	\$ 66,598	\$ 65,539
Equipment Rent	1,600	6,299
Leachate	36,819	17,487
Office Supplies and Postage	5,203	4,613
Dues and Subscriptions	82	383
Professional Services	29,513	24,054
Medical Reimbursements	13,244	8,138
License, Fees and Permits	1,565	1,735
Closure and Postclosure Care Costs	0	155,555
Miscellaneous Expenses	<u>3,610</u>	<u>1,251</u>
TOTAL OPERATING EXPENSES	<u>\$2,098,881</u>	<u>\$2,003,063</u>
OPERATING (LOSS)	<u>\$ (18,967)</u>	<u>\$ (164,465)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 5,940	\$ 10,541
Land and Rental House Income	5,969	5,625
Insurance Proceeds	18,638	4,127
Rental House Repairs	(458)	0
Rental House Insurance	(752)	(715)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,360)	(1,410)
Interest Expense	<u>(164,137)</u>	<u>(180,829)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>\$ (137,228)</u>	<u>\$ (163,729)</u>
CHANGE IN NET ASSETS	\$ (156,195)	\$ (328,194)
NET ASSETS - BEGINNING OF YEAR	<u>2,349,540</u>	<u>2,677,734</u>
NET ASSETS - END OF YEAR	<u>\$2,193,345</u>	<u>\$2,349,540</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Gate Fees and Assessments	\$1,768,506	\$1,684,416
Cash Received from Recycling Sales	291,232	157,595
Cash Paid To Suppliers for Goods and Services	(815,303)	(838,796)
Cash Paid to Employees for Services	<u>(819,554)</u>	<u>(743,117)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 424,881</u>	<u>\$ 260,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From Loans	\$ 590,488	\$ 200,000
Principal Repayments	(478,710)	(333,285)
Purchase of Capital Assets	(379,999)	(589,415)
Insurance Proceeds	18,638	4,127
Interest Payments	(163,328)	(181,704)
Proceeds From Rental of Property and Equipment - Net of Expenses	<u>3,399</u>	<u>2,432</u>
NET CASH (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (409,512)</u>	<u>\$ (897,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>\$ 5,847</u>	<u>\$ 15,015</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 21,216</u>	<u>\$ (622,732)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>658,562</u>	<u>1,281,294</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 679,778</u></u>	<u><u>\$ 658,562</u></u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (Loss)	\$ (18,967)	\$ (164,465)
Adjustments to Reconcile Operating		
(Loss) to Net Cash Provided by		
Operating Activities:		
Depreciation and Amortization	\$ 329,365	\$ 322,282
Recovery of Closure and Postclosure		
Costs	(18,482)	155,555
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(1,694)	(4,429)
Decrease in Miscellaneous		
Receivables	0	7,842
Decrease in Prepaid Insurance	2,259	21,421
(Increase) in Cafeteria Plan	(756)	(253)
Increase (Decrease) in Accounts		
Payable	161,324	(44,507)
Increase (Decrease) in Payroll		
Taxes and Garnishments Payable	5,230	(3,385)
(Decrease) in Sales Tax Payable	(28)	(350)
Increase in Accrued Salaries		
and Vacations Payable	2,705	7,817
(Decrease) in Landfill Closure and		
Postclosure Care Cost Liability	(36,075)	(37,430)
TOTAL ADJUSTMENTS	<u>\$ 443,848</u>	<u>\$ 424,563</u>
NET CASH PROVIDED BY OPERATING		
ACTIVITIES	<u>\$ 424,881</u>	<u>\$ 260,098</u>
COMPONENTS OF CASH - END OF YEAR:		
Cash in Bank	\$ 67,589	\$ 18,347
Cash in Bank - Board Designated -		
Equipment	10,051	18,518
Cash in Bank - DNR Tonnage Fees	42,116	67,268
Certificates of Deposit	156,077	154,622
Certificates of Deposit - Restricted -		
Closure and Postclosure Costs	<u>403,945</u>	<u>399,807</u>
	<u>\$ 679,778</u>	<u>\$ 658,562</u>
SCHEDULE OF NONCASH CAPITAL		
FINANCING TRANSACTIONS:		
Acquisition of Property and Equipment:		
Cost of Property and Equipment,		
Net of Trade-In	\$ 402,578	\$ 589,415
Loss on Trade-In	22,579	0
CASH PAID FOR PROPERTY		
AND EQUIPMENT	<u>\$ 379,999</u>	<u>\$ 589,415</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site, separation center and a pellet fuel recycling facility in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials. The pellet fuel recycling facility was constructed during fiscal year ended June 30, 2008.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY - For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. JOINTLY GOVERNED ORGANIZATION - The Commission also participates in a jointly governed organization, PCB Solid Waste Agency, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Agency.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. JOINTLY GOVERNED ORGANIZATION - Continued:

Plymouth, Cherokee and Buena Vista landfills are members of PCB Solid Waste Agency.

The Agency does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. BASIS OF PRESENTATION - The accounts of the Cherokee County Solid Waste Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET ASSETS - The following accounting policies are followed in preparing the Statement of Net Assets:

CASH, INVESTMENTS AND CASH EQUIVALENTS - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months. The Commission did not have any short-term investments during the years ended June 30, 2011 and 2010.

RESTRICTED ASSETS - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

CAPITAL ASSETS - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>ASSET CLASS</u>	<u>AMOUNT</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (IN YEARS)</u>
Buildings	39
Land and Building Improvements	20 - 39
Equipment and Vehicles	5 - 15

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET ASSETS - CONTINUED:

CAPITAL ASSETS - CONTINUED:

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2011 and 2010.

COMPENSATED ABSENCES - Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment only upon termination, death or retirement. The Commission's liability for accumulated vacation and personal leave has been computed based on rates of pay in effect at June 30, 2011 and 2010.

ACCOUNTS RECEIVABLE - Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2011 and 2010 was \$-0- and \$-0-, respectively.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Commission's deposits in banks at June 30, 2011 and 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 - CASH AND INVESTMENTS - CONTINUED:

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - LONG TERM DEBT:

Note payable consists of the following:

	<u>2011</u>	<u>2010</u>
Note payable to Cherokee State		
Bank dated May 26, 2011. Principal and interest of 5% per annum are due on maturity date of June 26, 2012. Line of credit and current borrowing is \$300,000.	\$ 300,000	\$ 0
Note payable to Cherokee State		
Bank dated June 10, 2011. Principal and interest of 5% per annum are due on maturity date of July 10, 2012. Line of credit is \$427,000 with current borrowing of \$168,297.	168,297	0
Note payable to Cherokee County for an initial loan dated August 14, 2007 of \$2,920,000. The current interest rate is 5.65% and increases each year to a maximum of 6.25%. The loan matures June 1, 2018. Interest only payments are due each June 1 st and principal and interest payments are due each December 1 st . The note and the interest are payable from net revenues. The note is unsecured.		

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 - LONG TERM DEBT - CONTINUED:

			<u>2011</u>	<u>2010</u>
INTEREST	PRINCIPAL	MATURITY		
<u>RATE</u>	<u>AMOUNT</u>	<u>JUNE 1ST</u>		
5.75%	\$260,000	2012		
5.85%	\$275,000	2013		
5.95%	\$290,000	2014		
6.05%	\$330,000	2015		
6.15%	\$375,000	2016		
6.20%	\$395,000	2017		
6.25%	\$420,000	2018	\$2,345,000	\$2,590,000
Two notes payable to the Iowa DNR, \$150,000 with 3% interest and \$150,000 with 0% interest. The original contract is dated March 2007 but funds were not received until fiscal year ended June 30, 2009. Payments of \$11,316 are due quarterly through October 15, 2015 with the first payment due January 15, 2009.				
			<u>196,950</u>	<u>239,071</u>
TOTAL			\$3,010,247	\$2,829,071
LESS - Current Maturities			<u>602,700</u>	<u>287,120</u>
LONG TERM PORTION			<u>\$2,407,547</u>	<u>\$2,541,951</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2011.

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2012	\$ 602,700
2013	486,592
2014	333,908
2015	374,537
2016	397,510
Thereafter	815,000
TOTAL FUTURE MINIMUM PAYMENTS	<u>\$3,010,247</u>

NOTE 4 - CONTRIBUTED CAPITAL:

Contributed capital on June 30, 2011 and 2010 consists of:

	<u>2011</u>	<u>2010</u>
DNR Grant	\$375,000	\$375,000
In Kind Contribution		
From Lundell Manufacturing	445,000	445,000
	<u>\$820,000</u>	<u>\$820,000</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 - RENT INCOME:

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 29 acres of land with unrelated parties. The lease agreement is for \$105 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2012. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$5,969 and \$5,625 for the years ended June 30, 2011 and 2010, respectively.

The future minimum rental on the 29 acres or less depending on usage of land is as follows:

YEAR ENDED	AMOUNT
<u>JUNE 30,</u>	
2012	<u>\$ 2,969</u>

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.5% and 4.3% of their annual covered salary and the Commission is required to contribute 6.95% and 6.65% of annual covered payroll for the years ended June 30, 2011 and 2010, respectively. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$50,055, \$40,211, and \$37,629, respectively, equal to the required contributions for each year.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 7 - MAJOR CUSTOMER AND ECONOMIC DEPENDENCY:

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$283,119 of total revenues of \$2,079,914 (13%) for the fiscal year ended June 30, 2011, and \$280,505 of total operating revenues of \$1,838,598 (16%) for the fiscal year ended June 30, 2010. A 10 year contract is in effect from July 1, 2007 to July 1, 2017.

Harold Rawley Recycling Center is also a major customer of Cherokee County Solid Waste Commission. Revenues from the Harold Rawley Recycling Center accounted for \$451,669 of total revenues of \$2,079,914 (21%) for the fiscal year ended June 30, 2011, and \$382,600 of total revenues of \$1,838,598 (24%) for the fiscal year ended June 30, 2010. A 10 year contract is in effect starting June 8, 2006.

NOTE 8 - RISK MANAGEMENT:

Cherokee County Solid Waste Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 - RISK MANAGEMENT - CONTINUED:

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as expenses from its operating fund at the time of payment to the risk pool. The Cherokee County Solid Waste Commission's annual contributions to the Pool for the years ended June 30, 2011 and 2010 were \$30,297 and \$26,276, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 - RISK MANAGEMENT - CONTINUED:

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, pollution liability, employee blanket bond, and a rental house. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - CASH IN BANK - BOARD DESIGNATED:

The Commission has designated \$2,000 and \$2,000 per month as of June 30, 2011 and 2010, respectively to be deposited in an account to be used for equipment purchases.

The fund was also used to transfer funds to the general checking account to pay operating expenses.

NOTE 10- SOLID WASTE TONNAGE FEES RETAINED:

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10- SOLID WASTE TONNAGE FEES RETAINED - CONTINUED:

As of June 30, 2011 and 2010, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$42,116 and \$67,268, respectively.

NOTE 11- RELATED PARTY TRANSACTIONS:

The Commission's related party transactions consisted of the following:

1. The Commission's vehicle maintenance and repairs were performed by a shop co-owned by the manager's son. These repairs totaled \$5,644 and \$10,843 for the years ended June 30, 2011 and 2010, respectively.
2. As stated in Note 5, the Commission has a short term operating lease on the house at the landfill site to an employee.

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS:

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

June 30, 2011:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$213,102 for closure and \$2,100,375 for postclosure, for a total of \$2,313,477 as of June 30, 2011, and the portion of the liability that has been recognized is \$1,103,793. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 47.9 years and the capacity used at June 30, 2011 is 7.5 percent. The following table provides a breakdown of closure and postclosure costs for each area:

Horizontal Expansion Cells	
A-1, A-2 and A-3	\$ 204,402
Material Recovery Facility Recycle Center	8,700
Horizontal Expansion Phase A and Phase B	1,054,200
Original Landfill Area Postclosure Costs	<u>1,046,175</u>
	<u>\$2,313,477</u>

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2011, assets of \$404,341 are restricted for these purposes, of which \$181,660 is for closure and \$222,681 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

June 30, 2010:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$210,399 for closure and \$2,272,200 for postclosure, for a total of \$2,482,599 as of June 30, 2010, and the portion of the liability that has been recognized is \$1,158,350. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 73 years and the capacity used at June 30, 2010 is 5.36 percent. The following table provides a breakdown of closure and postclosure costs for each area:

Horizontal Expansion Cells	
A-1, A-2 and A-3	\$ 201,699
Material Recovery Facility Recycle Center	8,700
Horizontal Expansion Phase A and Phase B	1,149,300
Original Landfill Area Postclosure Costs	<u>1,122,900</u>
	<u>\$2,482,599</u>

Chapter 455B.306(9) (b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2010, assets of \$400,122 are restricted for these purposes, of which \$180,004 is for closure and \$220,118 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.

The updated "Municipal Solid Waste Sanitary Landfill Local Government Postclosure Guarantee" was approved by Cherokee County on April 13, 2010.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13- CAPITAL ASSETS:

A summary of capital assets at June 30, 2011 and 2010 is as follows:

	<u>2011</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
Construction in Progress - Cell A-4	<u>0</u>	<u>334,812</u>	<u>0</u>	<u>334,812</u>
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 424,000</u>	<u>\$ 334,812</u>	<u>\$ 0</u>	<u>\$ 758,812</u>
Capital Assets Being Depreciated:				
Buildings	\$2,191,207	\$ 1,704	\$ 0	\$2,192,911
Machinery and Equipment	4,167,358	81,264	52,410	4,196,212
Office Equipment and Furniture	15,132	1,298	0	16,430
Land Improvements	214,961	0	0	214,961
East Landfill	<u>1,380,968</u>	<u>0</u>	<u>0</u>	<u>1,380,968</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$7,969,626</u>	<u>\$ 84,266</u>	<u>\$ 52,410</u>	<u>\$8,001,482</u>
Less Accumulated Depreciation For:				
Buildings	\$ 564,521	\$ 61,512	\$ 0	\$ 626,033
Machinery and Equipment	1,916,151	181,589	13,331	2,084,409
Office Equipment and Furniture	13,947	532	0	14,479
Land Improvements	92,113	6,097	0	98,210
East Landfill	<u>154,496</u>	<u>77,341</u>	<u>0</u>	<u>231,837</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$2,741,228</u>	<u>\$ 327,071</u>	<u>\$ 13,331</u>	<u>\$3,054,968</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$5,228,398</u>	<u>\$ (242,805)</u>	<u>\$ 39,079</u>	<u>\$4,946,514</u>
TOTAL CAPITAL ASSETS, NET	<u>\$5,652,398</u>	<u>\$ 92,007</u>	<u>\$ 39,079</u>	<u>\$5,705,326</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13- CAPITAL ASSETS - Continued:

	<u>2010</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 424,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,000</u>
Capital Assets Being Depreciated:				
Buildings	\$2,191,507	\$ 0	\$ 300	\$2,191,207
Machinery and Equipment	3,951,294	216,064	0	4,167,358
Office Equipment and Furniture	15,132	0	0	15,132
Land Improvements	209,246	5,715	0	214,961
East Landfill	<u>1,001,739</u>	<u>379,229</u>	<u>0</u>	<u>1,380,968</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$7,368,918</u>	<u>\$ 601,008</u>	<u>\$ 300</u>	<u>\$7,969,626</u>
Less Accumulated Depreciation For:				
Buildings	\$ 503,093	\$ 61,728	\$ 300	\$ 564,521
Machinery and Equipment	1,737,270	178,881	0	1,916,151
Office Equipment and Furniture	13,480	467	0	13,947
Land Improvements	86,025	6,088	0	92,113
East Landfill	<u>81,672</u>	<u>72,824</u>	<u>0</u>	<u>154,496</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$2,421,540</u>	<u>\$ 319,988</u>	<u>\$ 300</u>	<u>\$2,741,228</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$4,947,378</u>	<u>\$ 281,020</u>	<u>\$ 0</u>	<u>\$5,228,398</u>
TOTAL CAPITAL ASSETS, NET	<u>\$5,371,378</u>	<u>\$ 281,020</u>	<u>\$ 0</u>	<u>\$5,652,398</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 14- COMMITMENTS - CONSTRUCTION IN PROGRESS:

The Commission has entered into a contract at June 30, 2011 for construction and expansion at the landfill:

2011

Expansion - Cell A-4

Balance of Construction Contract \$ 155,740

NOTE 15- CONTINGENCY:

A fire destroyed the leased compactor in June of 2009. The lessor requested \$39,000 for fees associated with the lease. The Commission hired an attorney regarding this matter.

The matter was settled in the current fiscal year ending June 30, 2011. The Commission paid a settlement of \$59,470 regarding this lawsuit.

NOTE 16- SUBSEQUENT EVENT:

Bond Refinance - In September 2011, the bond issue was refinanced through Cherokee County to lower annual debt payments.

NOTE 17- SPECIAL INVESTIGATION:

Burkhardt & Dawson, CPA's performed Agreed-Upon Procedures of the Cherokee County Solid Waste Commission for the period January 1, 2003 through October 31, 2011. The Agreed-Upon Procedures report dated December 12, 2011 identified \$37,180.49 of unapproved, unsupported, or improper disbursements for the period January 1, 2003 through October 31, 2011, of which \$9,139.68 was for the fiscal year ending June 30, 2011.

In addition to the \$37,180.49, the following issues have been unnecessary expenses for the Commission:

The Commission incurred additional expenses to pay for the agreed-upon procedures performed by their CPA firm and also legal fees for their attorney.

Also, the overpayment to Jennie Mier (former employee), based on using PTO not authorized by the employee handbook, has not been calculated. Adequate records were not maintained by the Commission's Assistant Manager/Accountant, Julie Mugge.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 17- SPECIAL INVESTIGATION - Continued:

The Commission's 2012 Iowa unemployment rate (SUTA) has increased by 1.8% due to unemployment benefits paid to Jennie Mier. Based on an estimated annual payroll subject to SUTA this will cost the landfill an estimated \$11,000 for 2012. Their SUTA rate may be affected for the next several years by this claim.

Jennie Mier was not fired or laid off according to landfill officials. Don Pitts, Manager, and Julie Mugge, Assistant Manager/Accountant, were responsible to protest the unemployment claim filed by Ms. Mier, but they did not protest it.

Copies of the Agreed Upon Procedures Report dated December 12, 2011 have been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
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To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Solid Waste Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and deficiencies we consider to be a significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Cherokee County Solid Waste Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Cherokee County Solid Waste Commission's internal control described in the accompanying Schedule of Findings as items (A), (B), (C), (D), (F), (G), (H), (K), (L), (M), (N), (O), (P), (Q) and (R) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (E), (I), and (J) to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Solid Waste Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cherokee County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Cherokee County Solid Waste Commission's responses and, accordingly, we express no opinion on them.

Agreed upon procedures of the Cherokee County Solid Waste Commission were performed by Burkhardt & Dawson, CPA's and a report dated December 12, 2011 was issued covering the period January 1, 2003 through October 31, 2011 relating to unapproved, unsupported, or improper disbursements. The agreed upon procedures also include additional recommended control procedures. See Note 17 to the financial statements.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

December 12, 2011

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former Commission Assistant Manager/Accountant, Julie Mugge, had control over each of the following areas for the Commission:
1. Cash - reconciliation of bank accounts.
 2. Receipts - collection, posting to the accounting records, deposit preparation and making deposits
 3. Disbursements - authorizing and making purchases, presenting invoices to the Commission, check preparation, check signing, distribution and posting to the accounting records,
 4. Payroll - calculation, check preparation, check signing, distribution and posting to the accounting records
 5. Reporting - preparation of financial reports, for the Commission, and
 6. Dual signatures were required on all checks written.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the duties within each function listed above should be segregated as much as possible. In addition, the Board should review financial records, reconciliations and supporting documentation for accounting records on a periodic basis.

Also, procedures should be implemented to ensure the proper approval of transactions has been granted by the Board. The Commission should continue to require dual signatures on all disbursements made.

Response - The current manager, administrative assistant and accountant share accounting responsibilities achieving as much segregation of duties as possible. Three board members are authorized to sign checks. All checks require two board member signatures.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (B) Financial Reporting - We noted that while management may be capable of preparing accurate financial statements that provide information sufficient for the members of the Commission to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Many significant material adjustments were made to the financial statements prepared by management during the audit. The monthly financial statements prepared by the Commission's assistant manager/accountant were not accurate.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements. All asset and liability accounts should be reconciled monthly before financial statements are prepared and presented to the board.

Response - The Commission hired a CPA firm to prepare monthly financial statements. The Commission's administrative assistant is attending accounting classes and the manager is willing to pursue education in this area.

Conclusion - Response accepted.

- (C) Payables and Capital Assets - During the audit, we identified material amounts of accounts payables and capital assets additions which were not properly recorded in the Commission's financial statements at June 30, 2011. Adjustments were subsequently made to the Commission's records to properly include these amounts in the financial statements.

Recommendation - The Commission should implement procedures to ensure all accounts payables and capital asset additions are identified and included in the Commission's financial statements.

Response - The Commission hired a CPA firm to prepare and process accounts payable. Management codes bills appropriately and 2 board members sign the checks.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (D) Management Vacation - We noted the vacation accrual limit listed in the employee handbook has been exceeded by two management employees. These records were maintained by the former assistant manager/accountant, Julie Mugge.

Recommendation - Employee vacation accruals should not exceed the amounts authorized in the employee handbook.

Response - Employee vacation accruals are being tracked by a spreadsheet and limits monitored correctly.

Conclusion - Response accepted.

- (E) DNR Loans - The Commission has two loans with the Department of Natural Resources. The first loan requires an annual report and the second loan requires quarterly reports to be submitted to the DNR. Various reports were not filed by the required due dates. The reports were subsequently filed after receiving correspondence from the DNR.

Recommendation - A system should be developed to monitor due dates so future reports are filed timely as required by the DNR loans.

Response - Management has set up Outlook calendar reminders and also receive an email from the DNR in advance of due dates.

Conclusion - Response accepted.

- (F) Tonnage - Tonnage is not being weighed and properly recorded for waste taken from the separation center "leftovers" to the landfill. Monthly landfill summary reports were not consistently prepared during the year. Some monthly summary tonnage reports tested did not agree to quarterly DNR reports. The quarterly DNR report due 7-1-11 was filed late on 7-7-11.

Recommendation - All waste taken to the landfill must be weighed, properly recorded and DNR tonnage fees calculated and paid. Monthly landfill summary reports should be prepared using the excel tonnage spreadsheet and reconciled to quarterly DNR reports. Tonnage reports should be provided to the board monthly to verify reports are being prepared. All DNR reports should be filed timely.

Response - All trucks are being weighed without exception. All DNR reports are being prepared from accurate tonnage reports and filed in a timely manner. The Board now receives the tonnage report each month.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (G) Depository Resolution - The depository resolution at banks had not been updated to comply with Code Section 12C.2 of the Iowa Code.

Recommendation - An updated depository resolution with Central Bank needs to be approved by the board in accordance with Code Section 12C.2 of the Iowa Code.

Response - An updated resolution has been passed by the Commission.

Conclusion - Response accepted.

- (H) Restricted Certificates of Deposit - Closure and Postclosure restricted certificates of deposit were redeemed and the replacement CD's were not purchased immediately.

Recommendation - Closure and postclosure restricted certificates of deposit are required to remain restricted. Any restricted certificates of deposit redeemed must be reinvested immediately.

Response - The current management is not authorized to redeem certificates of deposit. This procedure is approved by the Board and performed by an authorized Board Member.

Conclusion - Response accepted.

- (I) Scale Tickets - Daily scale ticket summary sheets do not include all necessary information.

Recommendation - The daily scale ticket summary sheet should be revised to include all names and categories to match the monthly tonnage spreadsheet.

Response - The summary sheet has been revised.

Conclusion - Response accepted.

- (J) Credit Card Charges - A credit card transaction of \$88.72 had no supporting documentation available.

Recommendation - Documentation, including a bill or receipt, must be kept for all expenses.

Response - All charges are supported by receipts that are signed and coded before the credit card is paid.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (K) Payroll Checks - Unauthorized payroll checks were issued to two management employees. The unauthorized payroll checks were to the manager, Don Pitts, and assistant manager/accountant, Julie Mugge and exceeded the approved annual salary for each employee set by the board. The unauthorized payroll checks contained dual signatures by the two employees who received the payroll checks.

A paycheck to Jennie Mier (Julie Mugge's sister) included 19 hours that were hand-written on the time card for days after July 28, 2010, which was her last day according to the employee's file. The Commission's policy requires employees to punch their time cards using the time clock.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - Unauthorized payroll checks appear to be potential fraud. Your attorney and the Cherokee County Attorney should be consulted.

Response - All payroll checks are currently supported by an approved time card. Payroll checks are prepared by a CPA firm and signed by two Board Members. The Commission's attorneys and the State Auditor's office have been consulted.

Conclusion - Response accepted.

- (L) Worker's Compensation Benefits - The manager, Don Pitts, received 26 bi-weekly payroll checks during the fiscal year and also collected worker's compensation benefits.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - The Commission should seek repayment from Don Pitts for \$3,436.69 for the unapproved payroll checks collected while receiving worker's compensation benefits.

Recommendation - The Commission has received partial reimbursement of \$4,644.10 from the former manager on November 4, 2011 regarding various payroll issues. The Commission's attorneys and the State Auditor's office have been consulted.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (M) Payroll Tax Expenses - In addition to extra payroll checks noted in (K) and (L), the Commission paid social security taxes and IPERS contributions on these unauthorized wages.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - Unauthorized payroll tax expenses appear to be potential fraud. Your attorney and the Cherokee County attorney should be consulted.

Response - The Commission's attorneys and the State Auditor's office have been consulted.

Conclusion - Response accepted.

- (N) Budget - A budget was not prepared for the fiscal year ended June 30, 2011, as required by the Commission's 28E agreement.

Recommendation - An annual budget should be prepared and approved, as required. The approved budget should be entered in the accounting software and reports printed monthly for the Board to use in monitoring the budget status.

Response - A budget is currently being prepared.

Conclusion - Response accepted.

- (O) Unemployment Benefits - An employee, Jennie Mier, quit during the fiscal year and subsequently applied for and received unemployment benefits. As a result, the state unemployment rate increased for the Commission. The employee is the twin sister of the Commission's Assistant Manager/Accountant, Julie Mugge.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

(O) Unemployment Benefits - Continued:

Recommendation - The Commission should determine if this is potential fraud. Your attorney and the Cherokee County attorney should be consulted.

Response - The Commission's attorneys and the State Auditor's office have been consulted.

Conclusion - Response accepted.

(P) Payroll Supporting Documentation - During our review of the Commission's payroll transactions, we were unable to locate supporting documentation for some payroll disbursements, such as time cards, PTO accrual and use, employee's full-time or part-time status and approved hourly rates for each individual.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - Supporting documentation, such as time cards, PTO accrual and use, employee's status and approved hourly rates for each employee should be maintained. Every employee file should be updated periodically. Salaried employees should also complete time cards. PTO accounting records should be accurately maintained for each employee.

Response - The recommendation has been implemented.

Conclusion - Response accepted.

(Q) Insurance - We noticed the AFLAC insurance premiums were being paid on a former employee, Jennie Mier, for many months after her last day of employment. The employee is the twin sister of the Commission's Assistant Manager/Accountant, Julie Mugge.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

(Q) Insurance - Continued:

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - The Board should establish procedures so insurance invoices and payments are only for current employees. The Board should also consult their attorney and the Cherokee County Attorney.

Response - Management is reviewing invoices to verify employees are current. The Commission's attorneys have been consulted.

Conclusion - Response accepted.

(R) Employee Handbook - During our review of the payroll, we noted the Commission was paying the full cost of health insurance for the Manager and Assistant Manager/Accountant. Through discussion with the Board, this policy had been approved for the Manager and Assistant Manager/Accountant.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - The Board should periodically review the employee handbook to verify all policies are documented. Each employee should be given an updated version of the handbook to improve compliance with the stated policies.

Response - The Employee Handbook has been revised and will be reviewed annually.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

Agreed upon procedures of the Cherokee County Solid Waste Commission were performed by Burkhardt & Dawson, CPA's and a report dated December 12, 2011 was issued covering the period January 1, 2003 through October 31, 2011 relating to unapproved, unsupported, or improper disbursements. See Note 17 to the financial statements.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses - The agreed upon procedures report identified certain unapproved, unsupported, or improper expenses which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Also refer to the Agreed Upon Procedures Report dated December 12, 2011. The Report has been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

Recommendation - Unauthorized and questionable expenses appear to be potential fraud. Your attorney and the Cherokee County Attorney should be consulted.

Response - The Commission's attorney's and the State Auditor's office have been consulted.

Conclusion - Response accepted.

- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - Transactions were found that we believe should have been approved in the Commission minutes but were not. The list of bills presented to the board for approval each month did not include all bills.

Also see Comment (1) for Questionable Expenses.

No minutes had been prepared for the September 9, 2010 meeting.

Chapter 28E.6 of the Code of Iowa states minutes should be provided to the newspaper within twenty days following the adjournment of the meeting. The publication should include a schedule of bills.

The board minutes do not include approval of CD transactions.

Also the minutes do not contain a detail of bids received for insurance.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

(3) Commission Minutes - Continued:

Minutes were not published for July 2010 to April 2011. The Commission started publishing minutes for May 2011 and June 2011 but did not publish a schedule of bills allowed.

The closed session in September 2010 was not recorded as required by the Code of Iowa.

The names and gross salaries of employees are required to be published annually. Annual salaries were not published.

Recommendation - Minutes, including a schedule of bills, and salaries should be published to comply with Chapter 28E.6 of the Code of Iowa. All bills should be approved by the Board before checks are written. Minutes are required to be prepared for all Board meetings. Closed sessions should be recorded as required by the Code of Iowa. All CD's should be approved by the board and documented in the minutes. Bids should be obtained and documented in the minutes when required.

Response - The recommendation is being enforced. The Commission is publishing its minutes and a schedule of bills monthly.

Conclusion - Response accepted.

- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted, except restricted CD's were not purchased the same day as they were redeemed as noted in the comments.

- (5) Solid Waste Tonnage Fees Retainage - No instances of non-compliance with solid waste fees used or retained in accordance with Chapter 455B.310 of the Code of Iowa were noted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- (6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	<u>POSTCLOSURE</u>	<u>CLOSURE</u>
Total estimated costs for postclosure care	\$2,100,375	\$ 213,102
Less: Balance of funds held in the local dedicated fund at June 30, 2010	(220,118)	(180,004)
	<u>\$1,880,257</u>	<u>\$ 33,098</u>
Estimated life of Landfill is 48 years per engineer		
Required payment into the local dedicated fund for the year ended June 30, 2011 per financial assurance report calculated by the engineer	\$ 33,573	\$ 14,909
Balance of funds held in the local dedicated fund at June 30, 2010	<u>220,118</u>	<u>180,004</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2011	<u>\$ 253,691</u>	<u>\$ 194,913</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2011	<u>\$ 222,681</u>	<u>\$ 181,660</u>

The local government guaranty is used for the Commission to demonstrate financial assurance for postclosure care costs. The Commission obtained the original local government guaranty from Cherokee County on June 10, 1997.

The updated "Municipal Solid Waste Sanitary Landfill Local Government Postclosure Guarantee" was approved by Cherokee County on April 13, 2010.

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year.